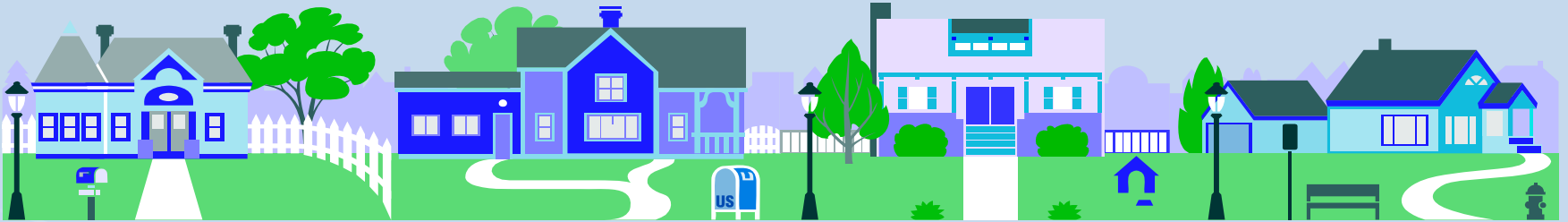


# Identifying A Permanent Funding Source for Affordable Housing: A Statewide Dialogue



**California Department of  
Housing & Community Development**

# California's Continuing Housing Crisis

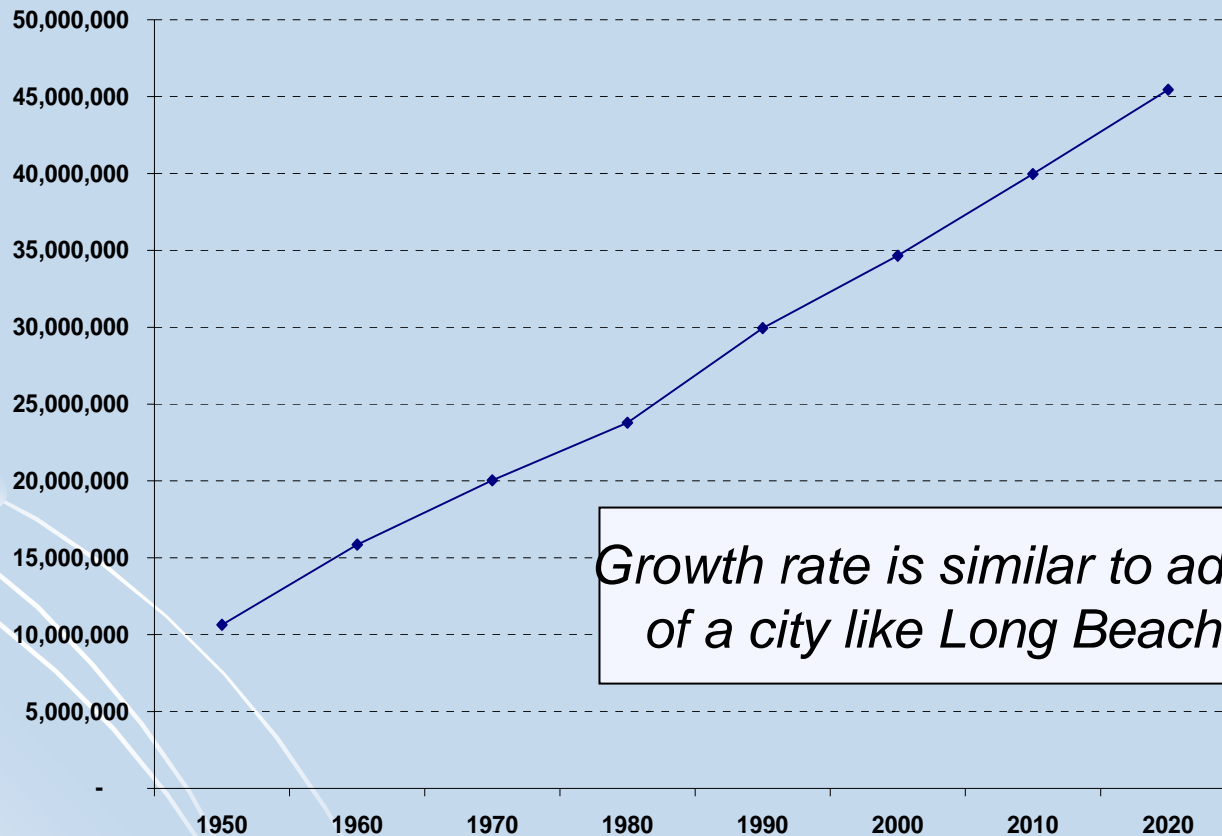


# Housing Demand Influences

- ▶ Strong Population Growth
- ▶ Demographic and Employment Change
- ▶ Inadequate Housing Supplies
- ▶ Declining Affordability
- ▶ Increasing Default Rates and Foreclosures

# California's Population

*Predictably Grows About 500,000 Per Year*

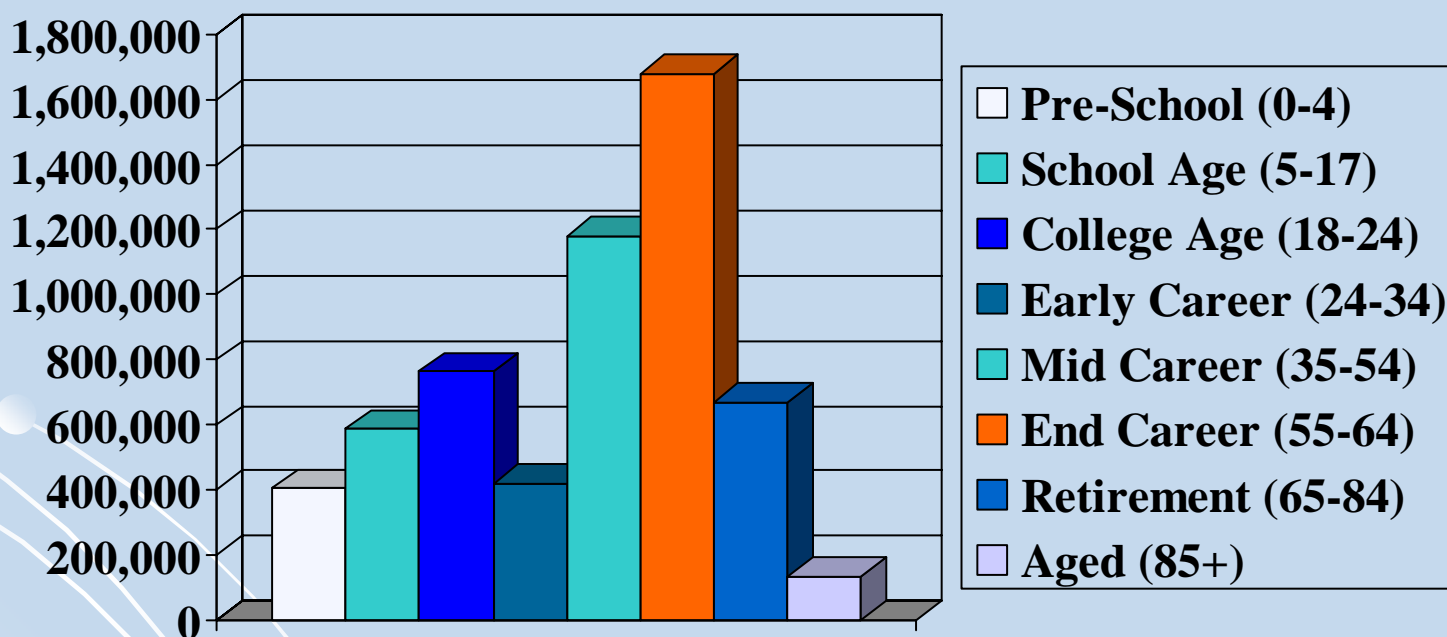


# California Population Growth 2007-2025

2008: 38 Million  
2025: 48 Million



# California's Projected Growth 2000 – 2010 by Age Cohort



Source: DOF Demographic Research Unit, 2004

# Demand for Greater Diversity of Housing Types & Special Needs

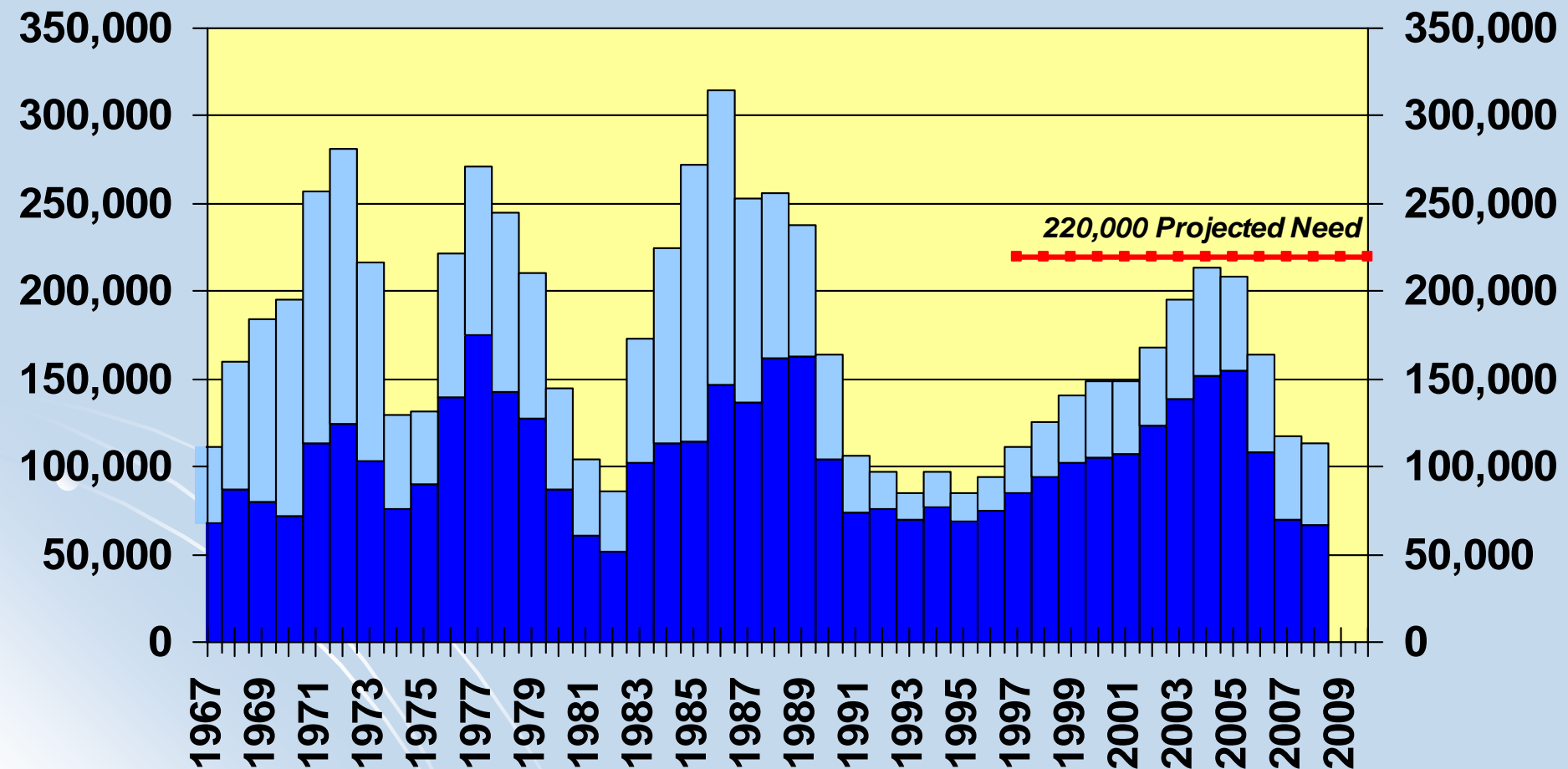
- ✚ Disabled
- ✚ Elderly
- ✚ Large Families
- ✚ Homeless
- ✚ Farmworkers



# California New Housing Permits 1967 - 2007

New Housing Permits Below Annual Average Need

Single Family Multi-Family Housing Needs



SOURCES: CAR; Construction Industry Research Board; CSHP

California Department of Housing and Community Development



# Wage and Housing Gaps

- **The “Housing Wage” in California is \$22.86 - more than three times the minimum wage.**
- **An extremely low income household can only afford monthly rent up to \$496, while the fair market rent for a two bedroom unit is \$1,189.**
- **A worker earning minimum wage must work 135 hours per week in order to afford the average two-bedroom unit.**

Source: Out of Reach 2006, NLIHC

# Top 10 Workers that often cannot qualify to purchase a home in California:

**\*Fast-Food Workers**



**\*Building Maintenance Workers**

**\*Administrative Assistants**

**\*Truck Drivers**



**\*Construction Workers**

**\*Nurses**



**\*Firefighters**



**\*Teachers**

**\*Cashiers**

**\*Police Officers**

Source: Rural Community Assistance Corporation (RCAC), July 2006

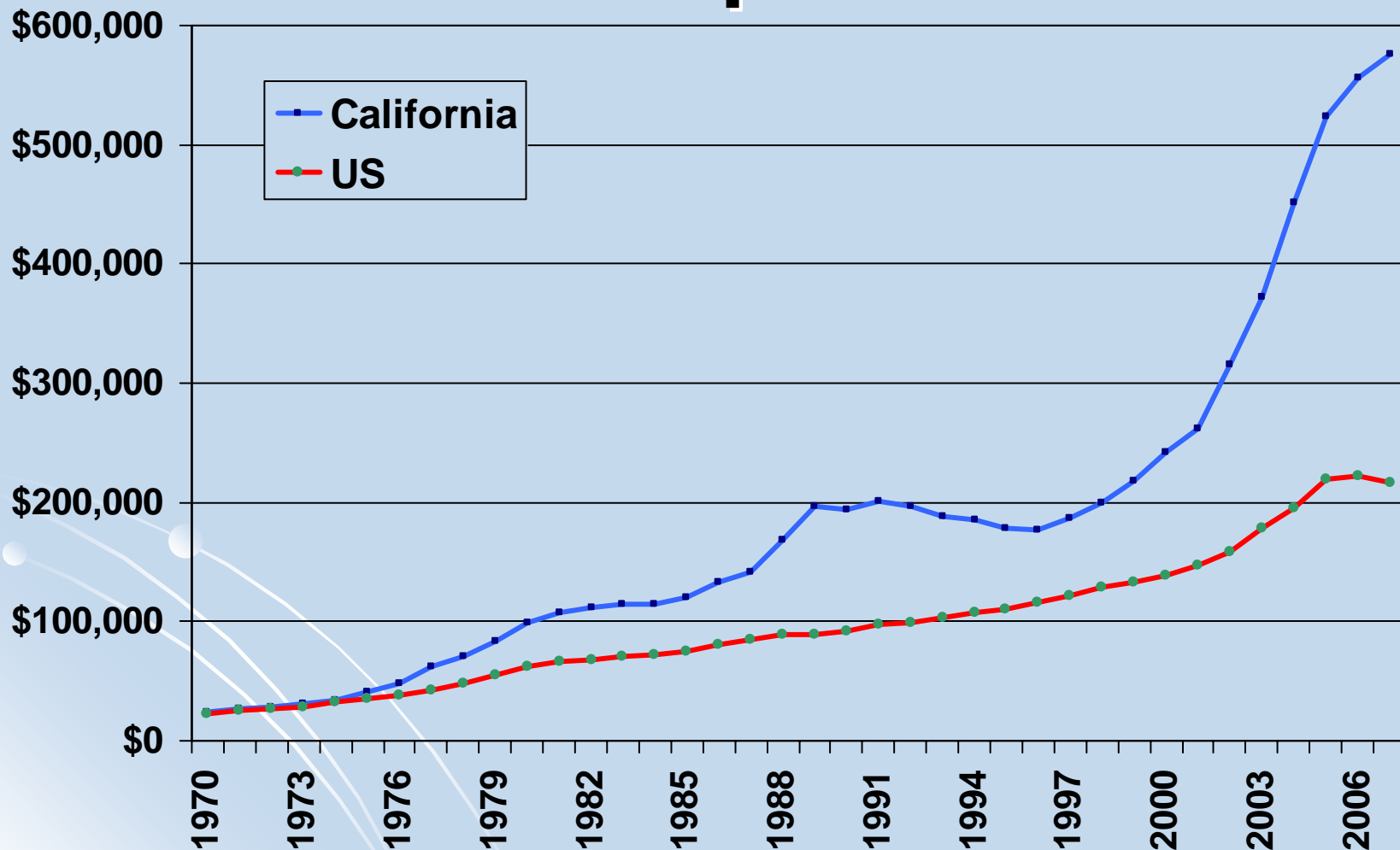
# Median Home Prices

## February 2008

Region	Median Price
Sacramento County	\$254,000
Riverside/ San Bernardino	\$307,500
CALIFORNIA	\$383,000
Santa Barbara County	\$400,000
Los Angeles	\$460,000
Ventura	\$445,750
Orange	\$520,000
Santa Clara	\$660,000

Source: California Association of REALTORS® (C.A.R.), February 2008.

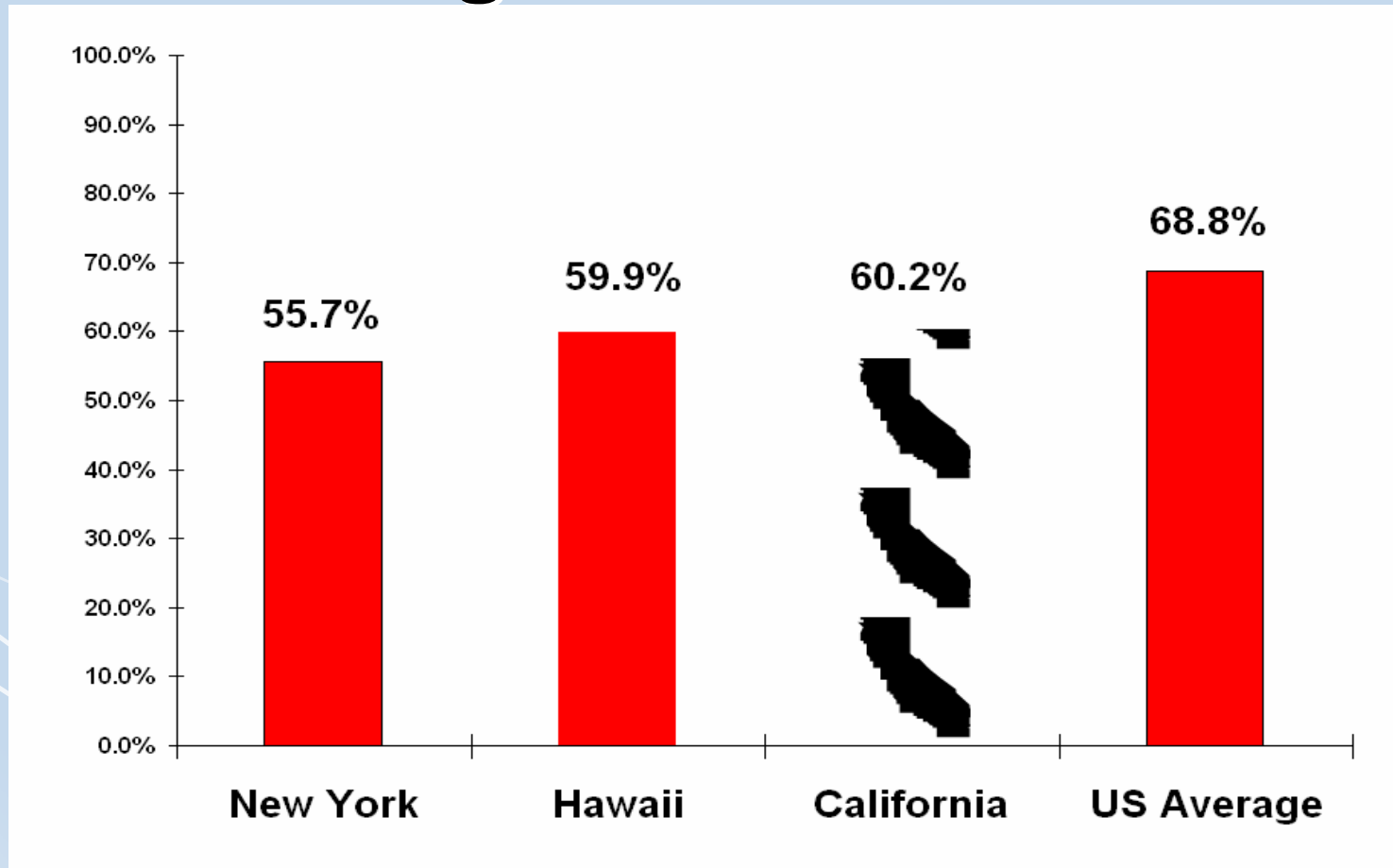
# California Home Prices Far Outpace U.S.



SOURCE: California Association of REALTORS®

California Department of Housing and Community Development

# California's Homeownership Rate Among Lowest In U.S.



Source: US Census, Annual Statistics: 2006 Table 13. Homeownership Rates by State: 1984 to 2006; Graphic representation by HCD.

# Foreclosures: The BIG PICTURE

- **Credit Crunch emerged in July/August 2007**
- **Sub-prime defaults spurred volatility in financial markets**
- **Nervous investors supplying credit for mortgage market**
  - Sell off of mortgage-backed securities
  - Less money to lending institutions
  - Less money to fund home loans
- **Lending standards have tightened up**
  - “Creative Financing” products disappear
  - Mortgage lenders now require higher credit scores

Source: CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.). Nov. 29

# The Present Threat of Foreclosure

## *to the Housing Industry and the California Economy*



- ▶ California's January foreclosure rate is 2.4 times the January '08 figure is 7% above the December 2007 figure and also represents a 57% increase since January '07
- ▶ California foreclosures account for approximately 25% of all foreclosures nationwide
- ▶ Risks loom largest for marginally qualified households in newer developments with a concentration of borrowers holding subprime loans
- ▶ In CA, 22% of apartment and single family properties lost to foreclosure were not owner-occupied, meaning renters are being evicted as well

Source: RealtyTrack Inc., Press Release, February 26, 2008

# Notices of Default by Region Houses and Condos

Region	2006 Q4	2007 Q4	% Chg
Statewide	37,994	81,550	114.6%
Central Valley	9,245	21,946	137.4%
Bay Area	5,362	12,704	136.9%
Southern California	21,605	43,146	99.7%

SOURCE: Data Quick Information Systems



# Current Foreclosure Consequences

- Short term impacts:

- 2008 forecasts 94,300 CA housing starts, compared to 194,000 in 2005
- Property taxes could decline by \$2.96 billion
- State expects to lose \$994 million in sales tax revenues due to weakening consumer spending
- \$39 million in transfer tax revenues due to up to 16% decline in home sales prices
- Foreclosures should peak in 2008



- Ongoing housing issues:

- CA affordability has not increased due to housing downturn

# ***Foreclosures will only aggravate the Continuing Housing Crisis***

- **Statewide cost of housing currently too high**
  - **Statewide monthly payment 3X national average**
  - **Statewide minimum qualifying income 2.5X national average**
- **Areas with the high foreclosure rates mirror state's least affordable regions**
- **Impact on CA housing need:**
  - **Sales to slow**
  - **Fewer households will qualify for market rate financing**
  - **Number of households requiring affordable rental and owner housing opportunities will continue to grow**
  - **Clustering of foreclosures reduces property values, attracts crime, instability**

# Fundamental Housing Demand Factors Strong Despite Market Downturn

	2003	2004	2005	2006	2007p	2008f
<b>Nonfarm Job Growth</b>	-0.5%	1.0%	1.8%	1.9%	1.3%	0.9%
<b>Unemployment Rate</b>	6.8%	6.2%	5.4%	4.9%	5.2%	5.7%
<b>Population Growth</b>	1.7%	1.5%	1.3%	1.3%	1.2%	1.1%
<b>Real Disposable Income, % Change</b>	2.1%	4.1%	1.0%	2.5%	2.6%	2.6%

Source: California Association of Realtors 11/07

# Continuum of Housing Assistance Needs



# Why Housing is Important

## *Housing Industry Contribution to the California Economy*



- ▶ Contributes \$218 billion per year to economy
- ▶ Generates 935,000 jobs
- ▶ Accounts for approximately 10% of all economic activity in the state
- ▶ Housing industry is the second largest industry group in the state, when all economic multipliers are considered

Source: Sacramento Regional Research Institute: The Economic Benefits of Housing in California

# Major state programs funded by Proposition 1C

# Homeownership Programs

- Building Equity and Growth in Neighborhoods Program (BEGIN) - \$125 Million
- CalHome Self Help Program - \$10 Million
- CalHome Program - \$290 Million
- California Homebuyers Down payment Assistance Program - \$100 Million
  - Administered by the California Housing Finance Agency (CalHFA).
- Residential Development Loan Program - \$100 Million
  - Administered by the California Housing Finance Agency (CalHFA).

# Building Equity and Growth in Neighborhoods (BEGIN)

- Grants to cities and counties that reduce regulatory barriers, or provide regulatory incentives.
- Regulatory Relief, e.g.:
  - Modification of Zoning and Density
  - Reduction of Parking Standards
  - Land Donation and other Development Incentives
  - Mitigation of Fees and Exaction
  - Jurisdiction-wide Regulatory Relief Bonus



# CalHome Program

- First-time homebuyer and housing rehabilitation loans
- Self-help technical assistance
- Mobilehome rehabilitation or replacement in Mobilehome parks
- Loans for homeownership developments
- Loan repayments return to locality (not State) to fund future homeownership loans.

# Affordable Rental Housing Programs

- Multifamily Housing Program - \$345 Million
- Supportive Housing - \$195 Million
- Homeless Youth - \$50 million

# Multifamily Housing Program

- Loans at 3 percent simple interest
- 55 year term
- \$10 million per project maximum
- Emphasis on units for large families and special needs populations
- Deep income targeting

# Joe Serna, Jr. Farmworker Housing Grant Program

- Finance new construction, rehabilitation and acquisition of owner-occupied (and rental) units for agricultural workers. To the greatest extent possible, assisted units are to be occupied by lower-income agricultural households.
- Nonprofits and public entities can apply
- \$135 Million

# Emergency Housing Assistance Program – Capital Development

- Deferred loans – 3 % percent simple interest
- 5, 7 or 10 year term, depending on activity
- \$1 million per project maximum
- Funds for capital development activities: acquisition, rehabilitation and/or new construction\*
- \$50 Million

# New Housing Programs

- Transit-Oriented Development - \$300 Million. Development and construction of housing and infrastructure projects within close proximity to transit stations.
- Infill Incentives Grant Program: \$850 million for grants for development of public infrastructure projects that facilitate or support infill housing construction. Projects could include water, sewer and transportation improvements, traffic mitigation, Brownfield cleanup and up to an additional \$200 million for parks.
- Awards by June 30, 2008.

# New Housing Programs cont.

Affordable Housing Innovation Program: \$100 million.

- \$50,000,000 for the Affordable Housing Revolving Development and Acquisition Program.
- \$5,000,000 for the Construction Liability Insurance Reform Pilot Program.
- \$35,000,000 for the local housing trust fund matching grant program established under Section 50843.5. The department shall make available 50 percent of this amount exclusively for newly established housing trust funds.
- \$10,000,000 for the Innovative Homeownership Program to increase or maintain affordable homeownership opportunities.

Housing-Related Parks: \$200 million for urban, suburban and rural housing related parks.

# When there is enough housing that is affordable...



- Children have stable neighborhoods and healthy environments...
- When they thrive...the community thrives.



# California Department of Housing and Community Development



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